

Special Insert to *The Annuitant* (Fall 2016)
2016-17 SUAA-UIUC Legislative Principles, Goals and Facts

Introduction

Even the longest-lived observers of state government operations in Illinois find it difficult to assess the full impact of the political grid-lock that has enveloped interactions between the Illinois General Assembly and the Governor. "Budget impasse" or "budget stalemate" are terms often used to describe what has occurred (or, more accurately, not occurred) to this point. But neither phrase adequately describes the extent of damage inflicted by the inability of legislators and Governor to agree on which essential programs should be funded at what levels and from which sources.

The implication of using either phrase is that once the impasse is broken or stalemate averted, all will be well. Indeed, when the so-called "stop-gap" budget was approved for a portion of the current fiscal year, the overwhelming reaction reflected in media reports was one of relief and almost a return to normalcy. But that is far from accurate. There are serious, negative, long-term implications to the hostile environment that surrounds the budget-making process for the state. Those implications focus on the most basic and fundamental factor underpinning the successful operation of state-funded programs: trust. Even with a full-year budget in hand, issues of trust will remain between the Governor and General Assembly, and between those who depend on state appropriations to run programs effectively and efficiently. Until a reasonable level of trust can be reestablished and a multi-year period of reasonable fiscal stability achieved, there will be cause for strong concern for the quality and effectiveness of state-supported programs. Recent reports of increased faculty departures from the University of Illinois and increased difficulty in attracting talented replacements for them are but one example of the impact of this concern over trust.

Legislative Principles

In this context the following set of legislative principles have been articulated for SUAA-UIUC. Together they represent the SUAA-UIUC legislative position statement for 2016-2017, and the principles on which our legislative actions are based. Along with the statewide SUAA office we will monitor legislation closely and continue to work hard on your behalf to ensure your well-earned benefits are protected. These are our principles:

- Achieving fiscal stability as soon as possible is the most critical step for Illinois state government. Our state continues to face enormous structural deficit and budget problems. No effective long-term planning or progress is possible without stability.
- No single mechanism is sufficient to achieve fiscal stability. A combination of budget cuts, budget reform and new revenue measures is required.
- Higher Education is critically important to economic growth for Illinois, both in terms of delivering a technologically sophisticated work force and in generating new business growth via commercialization of university-based research and development.
- Competitive benefit programs are essential to attract and retain faculty and support staff to sustain higher education's role in economic development.
- University leaders and retirees must work together to address benefit and state budget issues.
- Current retirement programs for higher education and other public employees in Illinois are not overly generous. Indeed, most institutions with which the University of Illinois competes for talented faculty and staff invest substantially more in retirement programs for their employees. Virtually all such programs combine Social Security and supplemental institutional benefits.

SUAA's Legislative Successes

Several lawsuits have been resolved recently which protected benefits to our annuitants by reaffirming that the retirement provisions enacted in PA 98-599 violated the non-impairment clause of the state constitution as well as ensuring the provision of health care benefits to annuitants. SUAA established a legal fund to retain counsel to represent SUAA members in these court cases and is prepared to retain counsel in the future if needed

Illinois' Fall 2012 election ballot included a Constitutional Amendment proposed by the General Assembly that would have changed benefit processes. The language of the proposed Amendment was confusing and its purposes obscure and unclear. A leading expert on the Illinois Constitution characterized the proposal as "catastrophic." SUAA established a ballot initiative group, separate from SUAA, and successfully worked to defeat the Amendment.

Given the state's current deficit and worst-in-the-nation pension funding (attributable to the state's failure to pay the employer's share for the program) it is certain that new pension reform legislation and possibly constitutional amendments will be forth coming.

Accordingly, we must remain vigilant and active to ensure our benefits are protected and remain whole. Employees have paid every penny required of them, and SURS investment earnings have exceeded benchmarks.

State SUAA Legislative Position Statement

The SUAA Board of Directors has endorsed a legislative position statement for the statewide organization. It identifies new efforts that SUAA can support as well as those which the organization will continue to oppose strongly. The statement can be viewed at the SUAA web site: www.suaa.org.

Some Basic SURS Data

- At the end of 2013, the State Universities Retirement System (SURS) covered a total of 81,302 active employees in public colleges and universities. Of that number 70,515 were enrolled in a defined benefit plan and 10,746 in the "self-managed" option.
- For 2013, 48,142 retirees under the SURS defined benefit program received a monthly annuity averaging \$3,054 or approximately \$36,650 per year.
- That average annuity was based on a final average salary figure of \$52,500 and an average of 19.11 years of eligible service credit.
- While considerable media attention is devoted to the "top 100" state pensions, they represent only 2/10s of one percent (0.2%) of all SURS pension recipients. The vast majority of SURS retirees earn modest annuities.
- In the mid-1990s legislation was enacted mandating improved funding for all of Illinois' public retirement systems, with a goal of achieving a funding ratio of 90% of assets to liabilities. By FY2000, the funding ratio had reached 88% before declining to 66% in FY2004, where it held steady through FY2007.
- Although every individual SURS participant paid every penny he/she was required to pay in every year, significant reductions in the amount of state support appropriated for SURS and substantial reductions in interest earnings during the Great Recession had combined to drop the funding ratio to 43.7% by FY2013.